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	DODE-00	ITCE-00	DOTE-00	WHA-00	SRPP-00	EXME-00	E-00
	UTED-00	FMC-01	VC-00	FRB-00	H-01	TEDE-00	INR-00
	IO-00	ITC-01	LAB-01	L-00	VCE-00	AC-01	NSAE-00
	NSCE-00	OES-00	OMB-01	OPIC-01	PM-00	ACE-00	SCT-00
	SP-00	IRM-00	SSO-00	SS-00	STR-00	TEST-00	TRSE-00
	USIE-00	R-00	EPAE-00	PMB-00	DRL-02	G-00	SAS-00

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FM AMEMBASSY PANAMA
TO SECSTATE WASHDC 8755
INFO ARA CENTRAL AMERICAN COLLECTIVE
AMEMBASSY BOGOTA
AMEMBASSY CARACAS
AMEMBASSY OTTAWA
AMEMBASSY PORT OF SPAIN
AMEMBASSY QUITO
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DEPT OF ENERGY WASHDC
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E.O. 12958: N/A

TAGS: EPET, ETRD, EWWT, PM

SUBJECT: IMPACT OF THE VENEZUELAN OIL STRIKE ON PANAMA

1. SUMMARY: ALTHOUGH PANAMA RELIES ON VENEZUELA FOR 70 PERCENT OF ITS PETROLEUM IMPORTS, POST SEES LITTLE EVIDENCE OF A MAJOR FUEL SHORTAGE IN PANAMA. IN PART THIS HAS BEEN DUE TO ALTERNATE SOURCING OF CRUDE, AND PANAMANIAN RESERVES (APPROXIMATELY 10 MILLION BARRELS). PANAMANIAN RESERVES HAVE FELT MODEST PRICE EFFECTS AFTER VENEZUELA CEASED EXPORTING PETROLEUM, HOWEVER. DURING DECEMBER, GASOLINE PUMP PRICES ROSE 8-1/2 PERCENT AND THE COST OF ELECTRICITY ROSE BETWEEN FOUR AND FIVE PERCENT ON AVERAGE. POST EXPECTS TO SEE

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FURTHER MODEST PRICE ADJUSTMENTS AS PANAMANIAN IMPORTERS SEEK OUT NEW SUPPLIERS AND INCUR GREATER COSTS TO REPLACE VENEZUELAN IMPORTS. MINISTER OF INDUSTRY AND COMMERCE JOAQUIN JACOME STATED THAT IMPORTERS WOULD SEEK SOURCES IN THE U.S., CANADA, AND TRINIDAD AND TOBAGO, BUT EXPRESSED CONCERN IF THE BALLOON GOES UP IN IRAQ. IN SEPARATE INTERVIEWS, VARIOUS IMPORTERS AFFIRMED THAT SUPPLIERS IN ASIA AND OTHER PACIFIC MARKETS, CHILE, AND ECUADOR, ARE SERVING AS ALTERNATE PETROLEUM SOURCES. END SUMMARY.

EFFECTS OF THE SUPPLY SHORTAGE

2. THE PANAMANIAN FUEL MARKET IS COMPRISED OF SEVERAL TYPES OF FUEL: GASOLINE, DIESEL, BUNKERING FUEL, KEROSENE, MARITIME DIESEL, AND LOW VISCOSITY FUEL. THE COUNTRY HAS 15
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MILLION BARRELS OF STORAGE CAPACITY, WHICH IS ROUGHLY EQUAL TO FIFTEEN MONTHS CONSUMPTION FOR THE ENTIRE COUNTRY. CURRENTLY, THE GOP UNOFFICIALLY ESTIMATES THAT ITS RESERVES ARE IN THE VICINITY OF 10 MILLION BARRELS.

3. IN A TELCON WITH [REDACTED] ECONOFF LEARNED THAT CT - PANAMA'S LARGEST FUEL IMPORTER - HAS "MUCH MORE THAN 15 DAYS CONSUMPTION IN RESERVE." (NOTE: HYDROCARBON INDUSTRY REGULATION REQUIRES CT TO HAVE AT LEAST A 15-DAY SUPPLY IN STORAGE. END NOTE.) [REDACTED] ESTIMATED CT'S TOTAL RESERVES TO BE SLIGHTLY MORE THAN 4 MILLION BARRELS. (NOTE: [REDACTED] CAVEATED THAT THE STORES OF READY-USABLE CLASSES OF FUELS - GAS, LIGHT DIESEL, AND LPG - ARE IN THE NEIGHBORHOOD OF 2 TO 2-1/2 MILLION BARRELS: THE REMAINDER IN STORAGE IS CRUDE AND UNFINISHED PRODUCT. END NOTE.)

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4. ALTHOUGH [REDACTED] ADMITTED THAT CT MUST BE CREATIVE, HE REITERATED SEVERAL TIMES THAT CT "IS OKAY." HOWEVER, HE ALSO STATED THAT THE LONGER THE SHORTAGE CONTINUES, THE WORSE THE PROBLEM WILL GET. THUS FAR, CT HAS ONLY EXPERIENCED A 1/2 CENT TO FOUR CENT PER GALLON INCREASE IN COST OF ALTERNATE FUEL, AND HAS BEEN ABLE TO PASS THAT COST TO ITS CLIENTS IN COUNTRY, WHICH TRANSLATED TO 15 TO 20 CENT PER GALLON HIKES AT THE PUMP NEAR THE END OF FY02. [REDACTED] CLOSED THE CONVERSATION STATING, "CT IS IN THE PROCESS OF PROCURING MUCH MORE FUEL THAN IS NECESSARY SHOULD INTERNATIONAL EVENTS MAKE ALTERNATE SOURCES HARDER TO COME BY."

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5. ACCORDING TO [REDACTED]

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[REDACTED] PANAMA BUYS 70% OF ITS PETROLEUM FROM VENEZUELA. [REDACTED] ECHOED [REDACTED] STATEMENTS THAT THE CESSATION OF OIL EXPORTS FROM VENEZUELA RESULTED IN AN IMMEDIATE 15-20 CENT (OR 8-1/2 PERCENT) HIKE IN GASOLINE PRICES AT PANAMA'S PUMPS DURING THE LAST SEVERAL WEEKS OF THE CALENDAR YEAR. [REDACTED] ALSO SURMISED THAT THE SHORTAGE WILL CAUSE A FURTHER INCREASE UP TO 10% IN ELECTRICITY COSTS IN THE NEAR FUTURE, DUE TO ENERGY GENERATORS BEING FORCED TO SEEK ALTERNATE, MORE COSTLY FUEL SOURCES. (NOTE: PANAMA'S SOLE REFINING OPERATOR, CHEVRON-TEXACO (C-T), CEASED REFINING FUEL IN JULY 2002. WHEN ITS RESERVES RAN OUT IN SEPTEMBER, C-T SOUGHT ALTERNATE SOURCES THAT IT COULD DISTRIBUTE TO ENERGY PRODUCERS. SINCE THESE ALTERNATES WERE MORE COSTLY, LOCAL EXPERTS AND INSIDERS PREDICTED A 15 PERCENT INCREASE IN THE COST OF ELECTRICITY WOULD BE PASSED ONTO THE END USER SOMETIME IN EARLY SPRING. END NOTE.)

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6. DESPITE [REDACTED] RELATIVELY STARK PREDICTIONS, IN ITS REGULARLY SCHEDULED BI-ANNUAL REVIEW OF PRICING WITHIN THE ELECTRICITY SECTOR, THE GOP - THROUGH ITS PUBLIC SERVICES REGULATORY AGENCY (SPANISH ACRONYM ENTE) - AUTHORIZED ONLY A MODEST RATE INCREASE. THE ENTE AUTHORIZED A FOUR TO FIVE PERCENT INCREASE (NATIONWIDE AVERAGE), EFFECTIVE AS OF JANUARY 1, 2003.

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7. CONVERSATIONS WITH [REDACTED]

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[REDACTED] CONFIRM THAT SUCH AN ADJUSTMENT WAS NOT NECESSARILY A CAUSE FOR ALARM. THE DIRECTOR CONFIRMED THAT AT SIX-MONTH INTERVALS, THE ENTE REVIEWS THE BASE PRICE STRUCTURE FOR FUEL AND ALLOWS PLAYERS WITHIN THE ENERGY SECTOR TO MAKE ADJUSTMENTS BASED ON MARKET REALITIES THAT HAVE AFFECTED THE PRICE OF FUEL DURING THE PRECEDING SIX MONTHS. HOWEVER, [REDACTED] FURTHER STATED THAT THE VENEZUELA SHORTAGE WAS THE LEADING CAUSE FOR THE RATE HIKES.

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BAHIA LAS MINAS INTERVIEW - A GENERATOR'S VIEW

8. [REDACTED]

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[REDACTED] TOLD ECONOFF THAT BLM HAD SPECULATED ON THE POSSIBILITY OF U.S. WAR WITH IRAQ. [REDACTED] EXPLAINED THAT IN EARLY 4Q OF CY2002, BLM PURCHASED FUEL FAR IN EXCESS OF ITS IMMEDIATE NEED. NOW, BLM FINDS ITSELF IN THE ENVIABLE POSITION OF HOLDING RELATIVELY CHEAP RESERVES. AS PANAMA'S SINGLE LARGEST PURCHASER OF FUEL [REDACTED] ESTIMATES THAT BLM BUYS A SHADE OVER 20 PERCENT OF ALL OF PANAMA'S FUEL IMPORTS WHILE SUPPLYING THE COUNTRY

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WITH 25 - 30 PERCENT OF ITS ELECTRICAL NEEDS), [] STATED THAT HE DOES NOT SEE ANY RISK OF CRISIS FOR THE FORESEEABLE FUTURE AND SCOFFED AT THE GOP ESTIMATE OF UP TO A 10 PERCENT INCREASE IN ELECTRICITY PRICES. HE ESTIMATED THAT A MORE REASONABLE ESTIMATE WOULD BE BETWEEN FOUR AND FIVE PERCENT. (NOTE: [] ADDED THAT IF ITS SUPPLIES DO GROW SHORT, BLM MAY CHOOSE TO EXPLOIT ECUADOR AS A POSSIBLE SUPPLIER, DUE TO THAT COUNTRY'S PLENTIFUL SUPPLY OF RESIDUAL FUEL. END NOTE.)

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EXXON INTERVIEW - A FUEL DISTRIBUTOR'S VIEW

9. ACCORDING TO EXXON'S [] EXXON PANAMA (EP) IS ONE OF THE LARGEST BUYERS OF VENEZUELAN CRUDE OIL IN PANAMA. [] SAID THAT EP HAS BEEN FORCED TO REBALANCE ITS SUPPLY CONTRACTS DUE TO THE EXPORT CRISIS. HE NOTED, HOWEVER, THAT UNLIKE SOME OF ITS COMPETITORS, EP IS NOT WORRIED ABOUT THE AVAILABILITY OF TANKER TRANSPORTATION BECAUSE IT NEGOTIATED LONG-TERM CONTRACTS WITH CARRIER VESSELS TO ENSURE THE AVAILABILITY OF SUCH VESSELS SHOULD SOMETHING LIKE THE VENEZUELAN CRISIS OCCUR. [] WAS QUICK TO ADD THAT BECAUSE EP IS LOOKING TO THE U.S. GULF COAST STATES, CHILE, AND ASIA TO TAKE UP THE SLACK FOR THE VENEZUELA SHORT-FALL, EP MAY BE FORCED TO PAY INCREASED TRANSPORTATION COSTS TO MOVE PRODUCT FROM SUCH DISTANT LOCALES.

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10. TO DATE EP HAD BEEN UNABLE TO IMPORT FROM THE PACIFIC REGION, BECAUSE OF THE NECESSITY TO USE THE PANAMA CANAL TO
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TRANSPORT THE OIL TO STORAGE FACILITIES AT THE CHEVRON-TEXACO (CT) FACILITIES FOR OFF-LOADING AND STORAGE ON THE ATLANTIC SIDE. HOWEVER, IN CONJUNCTION WITH ALIREZA-MOBIL AND ITS ARGENTINE PARTNERS, EP HAS BEEN UPGRADING ITS PACIFIC-SIDE STATION AT THE FORMER RODMAN NAVAL BASE TO BE ABLE TO OFF-LOAD AND STORE PETROLEUM. [] ADDED THAT BY THE END OF JANUARY, EP WOULD HAVE THE CAPACITY TO OFF-LOAD AND STORE CRUDE IMPORTS. WITHOUT HAVING TO TRANSPORT VIA THE CANAL AND PAY THE ASSOCIATED TOLLS, [] CONCLUDED THAT EP WOULD HAVE THE ECONOMIC FREEDOM TO IMPORT FROM VARIOUS PACIFIC MARKETS, LIKE ASIA AND CHILE.

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COMMENT

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11. THE BOTTOM LINE IS THAT THERE HAS BEEN NO MAJOR SHORTAGE OF FUEL IN PANAMA DUE TO THE STRIKE IN VENEZUELA. ALTHOUGH MINISTER JACOME VOICED HIS CONCERN ABOUT THE SITUATION, PANAMA WAS WELL POSITIONED TO ABSORB MARKET IMPACTS OF AN IMPORT SHORTAGE. AS A RESULT, PRICES AT SERVICE STATIONS ACROSS THE COUNTRY AND ELECTRICITY RATES NATIONWIDE HAVE RISEN ONLY MODESTLY AS A RESULT OF VENEZUELA'S CESSATION OF EXPORTS. IN LIGHT OF THE FACT THAT PANAMA'S LARGEST SUPPLIER (CT) AND LARGEST CONSUMER (BLM) EACH TOOK NECESSARY

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FM AMEMBASSY PANAMA

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SUBJECT: IMPACT OF THE VENEZUELAN OIL STRIKE ON PANAMA

PRECAUTIONS FOR THIS CONTINGENCY MAKES IT EASIER FOR THE
COUNTRY TO ABSORB THE IMPACT OF ITS PRIMARY FUEL SUPPLIER
DRYING UP.

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